

NEW JERSEY DIVISION OF TAXATION

TECHNICAL BULLETIN

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OUTSIDE DIVISION x

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TAX: GROSS INCOME TAX

TOPIC: GAMBLING WINNINGS OR LOSSES

Under the provisions of N.J.S.A. 54A: 5-1(g), all gambling winnings, whether they are the result of legalized gambling (casino, racetrack, etc.) or illegal gambling, with the exception of New Jersey Lottery winnings, are subject to the New Jersey Gross Income Tax for resident taxpayers. The lottery winnings of residents are subject to tax no matter where these winnings are received. Similar to the treatment of gambling winnings under the Federal Income Tax Code, losses from gambling incurred during the same period as the winnings may be used to offset winnings. In other words, taxpayers may deduct gambling losses from their gambling winnings during the tax period not to exceed the total of the winnings.

Likewise, nonresidents' gambling winnings from New Jersey sources are subject to the New Jersey Gross Income Tax in the same manner as the winnings of residents. N.J.S.A. 54A:5-8a(5). This means that income received by nonresidents from lottery or wagering transactions in New Jersey, other than from the New Jersey State Lottery, is income earned, received or acquired from sources within this State, and is subject to New Jersey Gross Income Tax. For example, winnings from casino betting and wagering, slot machines, raffles, bingo games, etc. are all taxable income. Nonresidents may only offset gambling winnings from New Jersey sources by gambling losses incurred in New Jersey during the same tax period.

All taxpayers may be required to substantiate gambling losses used to offset winnings reported on their New Jersey Gross Income Tax Return. Evidence of losses may take several forms, including losing race track pari-mutuel tickets, a daily log or journal of wins and losses, canceled checks, notes, etc. Such evidential material should be kept by the taxpayer for a period of six years after the filing of the New Jersey Gross Income Tax Return for that period. With respect to winnings or losses resulting from casino gambling, letters from casinos which purport to "rate" the gambling activity of an individual or "estimate" losses are not acceptable alone as evidence of gambling losses. However, they are acceptable as part of the taxpayer's proofs of wins and losses. The Division also accepts records from the casinos detailing an individual's casino credit history.

Although no specific rider to the New Jersey Gross Income Tax Return is required, it is requested that a taxpayer who enters gambling winnings (net of losses) on the New Jersey return indicate the total winnings and total losses on a supporting statement. This supporting statement may eliminate certain questions in the event the return is selected for audit.